

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Sugar Annual

MY2012/13

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Report Highlights:

Argentine sugar production in marketing year 2012/13 is projected at 2.04 million metric tons (raw value). Everything was set for a record crop, primarily as result of additional planted area, but dry weather in most part of the growing season negatively affected most plantations without irrigation. Domestic consumption is forecast to increase marginally, while exports could expand to 260,000 metric tons (raw value).

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Author Defined:

Production: Argentine sugar production for marketing year (MY) 2012/13 is projected at 2.04 million metric tons (raw value). Despite an increase in planted area and an expected record output, dry weather during October 2011 through mid-March 2012 is expected to have negatively affected plantations, mostly in Tucuman province. Final production will depend on how severe the winter is. Of the last five seasons, four were affected by harsh frosts, reducing yields significantly.

Returns for farmers and industry have been very good in the past few harvests. Despite increasing production costs because of inflation, most contacts believe profitability will continue to be good in the coming crop as result of high prices. Due to good returns and good perspectives in the local sugar and ethanol industries, there were approximately 30,000 additional hectares planted to sugarcane in MY2012/13, mostly in Tucuman. Since crop 2009/10, sugarcane planted area has expanded approximately 60,000 hectares.

Small farmers in Tucuman who were badly affected by the drought are expected to go through economic difficulties. Due to the effects of La Nina, typically with hot weather and very erratic and spotted rainfall, there are great variations among plantations. There are some fields looking very good, while others close by will not be harvested. In fact, private sources estimate that some 20,000 hectares will be lost in crop 2012/13. In general, the most affected were the new plantations or renewed sugarcane.

A new sugarcane variety was recently launched in Tucuman, that it is high yielding and resistant to rust, providing an alternative to existing varieties. There is some research being made in GMO sugarcane varieties. Some lines are currently being evaluated by the Ministry of Agriculture for approval. This sugarcane is resistant to glyphosate and contacts indicate that it could be launched commercially in about 2-3 years.

As in 2011/12, at current prices several sugar mills will prefer to produce sugar rather than ethanol to meet the local biofuels mandate. However, there are about five large sugar mills which are complying with the mandate and provide bioethanol to oil companies. The mandate in place is 5 percent, but most contacts indicate that the current mix is about half of it. In MY 2011/12, due to lower production as a result of severe frosts, the direct use of sugarcane for ethanol was smaller than previously estimated. Investment in the sector is needed to meet the full mandate, but the interest of sugar mills has lately declined somewhat. There are currently several large projects focused in building the first grain ethanol plants for fuel use. These will be located in the heart of the grain producing area in Cordoba and Santa Fe provinces.

The local sugar industry is investing in increasing somewhat the crushing capacity and modernizing the plants. Most distilleries are starting to work on a solution to the treatment of byproducts, primarily vinaze, to meet environmental requirements. Many companies are seriously analyzing the possibility of incorporating drip

irrigation at the farms, as this is seen as the most efficient way to expand production in the whole sugarcane area.

The average price of sugar at the plant during 2011 was \$3.20 pesos per kilo, the equivalent of US\$760 per ton. Most contacts project prices to increase somewhat in 2012 to offset inflation. However, price increases are expected to continue to be administered by the government, taking into account local supply and demand and exports.

Consumption: Sugar domestic consumption for MY2012/13 is projected at 1.874 million metric tons (raw value). This represents a small increase from the previous year, reflecting growth in the economy and in the number of consumers. The local industry of fructose is increasing, taking some market growth of the beverage industry.

Of the total sugar domestic consumption, roughly 60 percent is for industrial use, primarily the beverage and food industries (confectionery, ice creams, marmalades, canned fruits and dairy products). The other 40 percent is household use, in packages of 1 kilogram, sold primarily in supermarkets and grocery stores. The use of low-calories sweeteners continues to increase.

The current retail price of sugar ranges between \$5-7 pesos per kilo, equivalent to US\$1.13-1.59 per kilo. The government and the local sugar industry have an agreement by which producers have to sell about 6 percent of the total domestic demand of sugar at lower prices.

Trade: Argentine sugar exports in 2012/13 are forecast at 260,000 tons, of which 110,000 tons would be raw sugar and the balance refined. Raw sugar would go primarily to fulfill the US sugar quota and exports to world markets, while refined sugar is expected to be exported to Chile and other world markets. If the coming winter is too severe and affects yields, sugar exports could be lower.

Since late 2010, the government, as it does with other industries, controls the volumes of sugar exported in order to keep a well-supplied domestic market allowing then the surplus to be exported.

Exports in MY2011/12 were much lower than originally projected because production was shorter and the government allowed exports at a time that the mills had already bagged the sugar in paper containers for the domestic market. Contacts estimate that some additional 50,000 tons of refined sugar could have been exported.

Stocks: Final stocks for MY2012/13 are projected at 170,000 metric tons (raw value), equivalent to roughly a month's use. The ending stock of MY2011/12 was higher than previously forecast due to the complication of exporting sugar at the end of the crop season and to the fact that several mills preferred to produce sugar instead of complying with their quota under the bioethanol mandate.

Statistical Information

Sugar, Centrifugal Argentina	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jun 2010		Market Year Begin: Jun 2011		Market Year Begin: Jun 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	-12	-12	45	84		262
Beet Sugar Production	0	0	0	0		0

Cane Sugar Production	2,010	2,030	2,200	2,150		2,040
Total Sugar Production	2,010	2,030	2,200	2,150		2,040
Raw Imports	0	0	0	0		0
Refined Imp.(Raw Val)	52	52	0	3		2
Total Imports	52	52	0	3		2
Total Supply	2,050	2,070	2,245	2,237		2,304
Raw Exports	115	114	90	95		110
Refined Exp.(Raw Val)	90	82	190	50		150
Total Exports	205	196	280	145		260
Human Dom. Consumption	1,790	1,780	1,820	1,820		1,864
Other Disappearance	10	10	10	10		10
Total Use	1,800	1,790	1,830	1,830		1,874
Ending Stocks	45	84	135	262		170
Total Distribution	2,050	2,070	2,245	2,237		2,304

Sugar Cane for Centrifugal Argentina	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jun 2010		Market Year Begin: Jun 2011		Market Year Begin: Jun 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	335	330		350		380
Area Harvested	325	325		345		360
Production	21,600	19,900		21,400		20,800
Total Supply	21,600	19,900		21,400		20,800
Utilization for Sugar	20,100	18,900		19,800		19,200
Utilizatr for Alcohol	1,500	1,000		1,600		1,600
Total Utilization	21,600	19,900		21,400		20,800